

## SUBJECT

### BOARD RESOLUTION NO. 20-469

Pertaining to an application for a loan from the Drinking Water Revolving Fund to fund the piloting, design, and consulting work for the McCarron's Treatment Plant Project.

## BACKGROUND INFORMATION

Staff is seeking authorization to apply for a Drinking Water Revolving Fund loan in the amount of approximately \$20,000,000. The purpose of the proposed loan is to fund piloting, design, and consulting efforts for the upcoming McCarron's Treatment Plant Project. The application for this loan is due for submission on March 30<sup>th</sup>, 2020, but the loan will not be finalized until the selection of a design-build firm in late 2020. Between March 30<sup>th</sup> and the loan finalization date, it may be necessary to make updates to the loan amount based upon the proposals received for the project. If the finalized loan amount will exceed the aforementioned value, staff will seek further Board approval.

The 2020 adopted Budget for Saint Paul Regional Water Services includes debt issuance of \$10,000,000 to fund the piloting and 60% design costs that were projected in the Project Priority List Application made in April of 2019. The cost summary at that time included the following cost estimates needed for the McCarron's Treatment Plant Project:

2019	Pre-Design	\$700,000
2020	Piloting and 60% Design	\$10,000,000
2021	Final Design and Construction	\$55,000,000
2022	Construction	\$48,000,000
2023	Construction	\$25,000,000

This schedule has been modified due to updated information regarding project progress, resulting in the following updated cost estimates:

2019	Pre-Design	\$700,000
2020	Piloting, Design, and Consulting	\$20,000,000
2021	Final Design and Construction	\$45,000,000
2022	Construction	\$48,000,000
2023	Construction	\$25,000,000

The overall estimated cost of the McCarron's Treatment Plant Project remains at approximately \$130-140,000,000. The updated information will necessitate a 2020 SPRWS budget amendment that will increase the debt issuance from \$10,000,000 to \$20,000,000 for this phase of the project. We will then have authority to finalize the issuance of the loan from the Drinking Water Revolving Fund.

The interest rate for Drinking Water Revolving Fund loans is considerably lower than traditional water revenue bonds, making this loan a means of project financing.

While this loan will be finalized in late 2020, only a small portion of the loan amount will be spent during 2020. Most of the loan value will be utilized in 2021. A small remainder will likely carry over into 2022.

The form of the resolution is as required by the Minnesota Public Facilities Authority and has been used on previous MN PFA funding applications.

## RECOMMENDATION

Board approval is recommended.